

# SUBCOMMITTEE NO. 1 on Education



## Subcommittee No. 1

Chair, Carol Liu

Member, Robert Huff

Member, Roderick Wright

**Thursday, May 13, 2010  
9:30 a.m. or Upon Adjournment of Session  
Room 3191, State Capitol**

<u>Item</u>	<u>Department</u>	<u>Page</u>
	<b>Outcomes, Transfers, and Capital Outlay</b>	
<b>6420</b>	<b>California Postsecondary Education Commission (CPEC)</b>	
<b>6440</b>	<b>University of California (UC)</b>	
<b>6600</b>	<b>California State University (CSU)</b>	
<b>6870</b>	<b>California Community Colleges (CCC)</b>	
Item 1	UC and CSU Student Graduation	Page 3
Item 2	Student Transfer Rates	Page 7
Item 3	Basic Skills	Page 11
Item 4	CCC Categorical Flex Items	Page 14
Item 5	Career Technical Education	Page 18
Item 6	CCC 75/25 Faculty Ratio	Page 20
Item 7	CCC Contracting Out Proposal	Page 22
Item 8	UC Administration	Page 23
Item 9	Lease-Revenue Bond Funded Capital Outlay Project	Page 26

	<u>Vote-Only Items</u>	Page 29
Item 10	UC and CSU Capital Outlay Projects – Other Funding Sources	Page 29
Item 11	Garamendi Financing Authorization for UC San Diego	Page 30
Item 12	CCC Capital Outlay Projects	Page 31
Item 13	UC & CSU Reappropriations, Extensions of Liquidation, and Reversion	Page 32
Item 14	CCC Capital Outlay Reappropriations and Reversion	Page 34
	Public Comment	

## Item 1: UC and CSU Student Graduation

### Speakers:

- Patrick Lenz, University of California
- Robert Turnage, California State University
- Judy Heiman, Legislative Analyst's Office
- Mollie Quasebarth, Department of Finance
- Kevin Woolfork, CPEC

**Issue.** The issue before the Subcommittee is informational on the graduation rates at the University of California (UC) and California State University (CSU) and how the recent budget cuts may have impacted those rates. Also, the Subcommittee will hear from the CSU on their Graduation Initiative intended to increase undergraduate completion.

**Need for Graduates.** According to a recent analysis by the Public Policy Institute of California (PPIC), the state will need to produce an additional one million college graduates with a bachelor's degree between 2005 and 2025 to meet projected employment demand. In order to meet the PPIC goal of one million college graduates by 2025, the colleges and universities in California would have to increase the production of bachelor's degrees by almost 40 percent. The California Postsecondary Education Commission (CPEC) has found that the state is not producing enough graduates to meet the state's economic needs for information technology professionals, engineers, nurses, pharmacists, and teachers.

**Degrees Awarded.** California Postsecondary Education Commission data shows that in 2008, the UC system awarded a total of 58,424 degrees, including 42,416 bachelor's degrees. The CPEC data shows that in 2008, CSU awarded a total of 91,696 degrees, including 73,132 bachelor's degrees. According to CPEC, during 2008, private postsecondary institutions awarded 68,708 degrees, of which 30,774 were bachelor's degrees. According to the CPEC data, the California State University awarded nearly half of all bachelor's degrees in California during 2008.

### Bachelor's Degrees Awarded in 2008

Ethnicity	University of California		California State University	
	Awarded	Rate	Awarded	Rate
Asian/Pacific Islanders	13,348	31.5%	10,064	13.8%
Black	1,134	2.7%	3,597	4.9%
Filipino	1,898	4.5%	2,958	4.0%
Latino	5,668	13.4%	15,500	21.2%
Native American	222	0.5%	518	0.7%
White	15,324	36.1%	29,074	39.8%
Other	890	2.1%	1,678	2.3%
Nonresident	1,195	2.8%	2,588	3.5%
No Response	2,737	6.5%	7,155	9.8%
<b>Total</b>	<b>42,416</b>	<b>100.0%</b>	<b>73,132</b>	<b>100.0%</b>

Source: California Postsecondary Education Commission

**Current Graduation Rates.** Despite the fact that the CSU awards the most bachelor's degrees in the state, freshmen who enroll in a California public university have a higher likelihood of graduating if they attend a UC than if they attend a CSU. Transfer student success is discussed in Item 2 below.

#### Completion Rates for Freshmen Students Starting in 2001

	Cohort	Completions			Completion Rate		
		4-Year	5-Year	6-Year	4-Year	5-Year	6-Year
UC	29,480	15,412	7,181	1,149	52.3%	76.6%	80.5%
CSU	37,302	4,865	8,624	4,197	13.0%	36.2%	47.4%

Source: California Postsecondary Education Commission

**Compared to Other States, California Doing Well.** The CPEC notes in their March 2008 report, *Beyond the Looking Glass: Assessing Performance in California Postsecondary Education*, that California students who enter CSU or UC directly out of high school and enroll in a full-time course load persist into their second year at rates higher than that for students enrolled in comparable institutions in other states. Students who continue to enroll full time in their second year and beyond are more likely to graduate in a timely manner.

**University of California.** The University of California does not have formal planning efforts currently underway for the sole purpose of boosting graduation rates. As part of the University of California's Commission on the Future, administrative efficiencies are being considered for cost saving measures. These efficiencies may also have an impact on graduation rates. These include factors such as on-line instruction and a three-year bachelor's degree. The Commission on the Future is expected to present its recommendations to the UC Regents in the early fall of 2010.

**CSU Graduation Initiative.** The CSU Graduation Initiative is part of the nationwide Access to Success project of the National Association of System Heads (NASH) and The Education Trust. The CSU is among 24 public higher education systems that have pledged to cut the college-going and graduation gaps for low-income and minority students in half by 2016. The goals of the CSU Graduation Initiative are:

- Raise the six-year graduation rates of CSU students to the top quartile of national averages on each campus; and,
- Cut in half the existing achievement gap between under-represented CSU students (URMs) and non-underrepresented CSU students (non-URMs).

CSU hopes to improve CSU graduation rates by eight percentage points system-wide and halve the achievement gap by the end of the 2015-16 year. A variety of strategies are being discussed and employed by the CSU to meet its goals and targets, including:

- Early Start and Summer Bridge Programs
- Learning Communities
- Degree Audit and Early Warning Advising
- First Year Experience Programs
- Roadmaps to Graduation

Reporting and monitoring will be critical to measuring progress and success around the initiative, and as such, the CSU Chancellor is requiring CSU campus presidents to submit “delivery reports” to the Chancellor that include targets, actions to be taken, and identify campus monitoring team members. Campus presidents will also be required to provide monthly and quarterly reports to the Chancellor, with the Chancellor reporting to the CSU Board of Trustees twice a year on progress.

**Staff Comment.** Student success in higher education is important because without an educated workforce California will not be able to sustain an innovative, thriving economy. The graduation rates for the segments are also important because the state invests a great deal of money into each student -- \$22,920 annually for UC and \$11,722 annually for CSU. If the student attends for a few years but does not graduate, the state not only loses the investment placed into that student, but the spot taken by the student who did not complete denies another student the opportunity to even attempt to complete.

Student success in higher education is assisted by a variety of factors, including availability of financial aid, availability of required courses, informational resources available, matriculation counseling, disability services, tutoring services, psychiatric counseling, and family support. Both the UC and CSU systems have received greatly reduced state General Fund, which would have been used to pay for courses offered and support services for students. Despite dramatic raises in student fees, both segments have fewer total resources in 2009-10 than they did in 2008-09 (UC is down by about \$279 million and CSU is down by about \$452 million). With this reduction in total resources available, campus support services for students may have suffered.

The CSU Graduation Initiative is a long-term effort by the CSU to improve graduation rates. Students who enter CSU as freshmen have a far lower graduation rate than students who transfer to a CSU from a community college, and thus become an investment on which there is very limited return to the state. When examining factors such as graduation rates, it is important to collect multiple data points that can illuminate the situation, including the number of actual graduates, number of students admitted into the system, number of applicants, and number of high school graduates in the region who are eligible applicants. Only with a comprehensive data set can the data reveal a sufficient amount of information that can reliably be used to drive state policy.

It is important to note that any low-income students who would have to take summer remedial courses prior to starting their freshman fall term at a CSU may not be able to receive CSU financial aid for the duration of the summer term. However, those students could take courses at a community college, where they would qualify for a Board of Governors (BOG) waiver on account of their low-income status.

The Legislature is faced with the difficult decision of allocating additional funds toward providing additional access through increased enrollment or providing additional services for students currently in the system. If the Legislature chooses not to provide additional funds for higher education, the mandatory cost growth for both UC and CSU may require

further cuts in existing student services (please see the March 18 agenda for discussion of mandatory costs).

**Staff Recommendation.** No recommendation, informational item.

**Suggested Questions:**

1. Who is successfully graduating?
2. What services do the segments provide that get students to succeed?
3. What cuts have student services taken? What support services for students have been reduced or eliminated at each of the segments? To what degree were student fee revenues used to backfill for cuts in student services?
4. How have we allowed the segments to mitigate the response?
5. In what specific ways is the CSU Graduation Initiative expected to help students?
6. What specific data will the CSU Graduation Initiative collect and use?
7. Will the CSU Graduation Initiative provide the student with the option of taking remedial courses during the summer, or will such summer remedial education become mandatory?
8. If CSU students must take remedial education courses before they are admitted to the CSU before the fall term, will they be able to receive financial aid for the remedial courses taken during the summer term?

## Item 2: Student Transfer Rates

### Speakers:

- Judy Heiman, Legislative Analyst's Office
- Patrick Lenz, University of California
- Susan Wilbert, University of California
- Robert Turnage, California State University
- Allison Jones, California State University
- Erik Skinner, California Community Colleges
- Mollie Quasebarth, Department of Finance
- Kevin Woolfork, CPEC

**Issue.** The issue before the Subcommittee is informational on which students are successfully transferring from the community colleges to a four-year institution, and what efforts are the segments undertaking to simplify the transfer process for students.

**UC Transfer Requirements.** To transfer into the University of California system, a student must have fulfilled the core eligibility requirements. These requirements are the same for all campuses across the system. The UC campuses do differ in lower-division major preparation requirements for selective majors and the degree to which lower division major preparation factors into the admission decision. Campuses also differ in degree of selectivity.

**CSU Transfer Requirements.** To transfer into the CSU system, a student must have at a minimum completed the General Education Breadth requirements with a 2.0 grade point average or better (2.4 for non-resident students). The 23 CSU campuses differ in degree of selectivity, and the major preparation requirements differ for some campuses. All campuses have higher standards for out-of-state students and international students. The majority of transfer students enter as upper-division transfers. Upper-division transfers must complete at least 60 semester or 90 quarter units before transfer.

**Transfer Destinations.** The majority of the community college students who transfer go to the California State University system, followed by in-state private universities.

### Annual Number of CCC Students Transferring, by Year of Transfer

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
California State University	50,746	48,321	53,695	52,641	54,391	54,971
University of California	12,275	12,539	13,114	13,510	13,874	13,909
In-State Private	17,038	19,673	20,174	19,530	20,071	23,322
Out-of-State Private	11,055	11,936	12,467	12,701	13,146	13,755
<b>Total</b>	<b>91,114</b>	<b>92,469</b>	<b>99,450</b>	<b>98,382</b>	<b>101,482</b>	<b>105,957</b>

**Transfer Schools.** There are 16 community colleges that produce approximately half of all the community college transfers to UC, and 27 community colleges that produce half of the community college transfers to CSU. It is not clear why some community colleges

produce more students who transfer to four-year institutions than others, but some of the reasons include a “transfer culture” on campus, the proximity of the community college campus to a four-year institution, and the size of the community college campus. Santa Monica College and De Anza College produce the most community college transfer students for the UC system, while Orange Coast College and Mt. San Antonio College produce the most community college transfer students for the CSU system.

**Transfer Students.** The majority of transfer students arrive at the University of California or California State University from the California Community Colleges. These students have typically completed 60 or more units of course work, and begin their time at the four-year university as juniors.

### Students Transferring From Community Colleges to UC and CSU

Ethnicity	UC		CSU		UC		CSU	
	1999	%	1999	%	2008	%	2008	%
Asian/Pacific Is.	1,893	21.8%	3,828	12.6%	3,156	25.5%	4,174	12.5%
Black	221	2.5%	1,444	4.7%	336	2.7%	1,820	5.5%
Filipino	226	2.6%	1,107	3.6%	368	3.0%	1,310	3.9%
Latino	1,143	13.1%	5,848	19.2%	1,974	15.9%	8,078	24.3%
Native American	70	0.8%	290	1.0%	96	0.8%	275	0.8%
White	3,735	43.0%	12,438	40.9%	4,538	36.6%	12,362	37.2%
Other	219	2.5%	1,141	3.7%	263	2.1%	791	2.4%
Non-resident	518	6.0%	1,081	3.6%	1,041	8.4%	1,401	4.2%
No Response	671	7.7%	3,270	10.7%	612	4.9%	3,062	9.2%
<b>Total</b>	<b>8,696</b>	<b>100.0%</b>	<b>30,447</b>	<b>100.0%</b>	<b>12,384</b>	<b>100.0%</b>	<b>33,273</b>	<b>100.0%</b>

Source: California Postsecondary Education Commission

**Success of Transfer Students.** At the University of California, transfer students have a slightly lower completion rate after two years at the UC than freshmen do after four years, but a slightly higher completion rate after four years at the UC than freshmen do after six years. However, this pattern does not hold true for all ethnic groups: African American transfer students have a lower completion rate than the rest of the student body in both the second and fourth year. At the California State University, transfer students are far more successful than their freshman-start counterparts.

### Undergraduate Student Completion Rates for Transfers Entering in 2002

	2 Years	3 Years	4 Years	5 Years	6 Years
<b>UC</b>	47.3%	78.7%	84.7%	NA	NA
<b>CSU</b>	NA	50.3%	62.9%	67.9%	70.1%



**Impediments to Transfer.** There are multiple reasons why a student may choose not to transfer to a four-year institution, among them lack of financial aid, lack of information about the application process and degree requirements, and family obligations. However, there are efforts underway to lessen the impact of two significant impediments to transfer: lack of common course requirements from campus to campus and lack of common course numbering.

**Lack of Common Course Requirements.** Though both the UC and CSU have standard general education requirements within their segment, the admissions requirements can still vary from major to major. Not only can the admissions requirements vary for different majors, the requirements can vary for the same major at two different campuses within a segment. Thus, a student applying to two different CSU campuses may find that the courses he or she took at the community college satisfy the requirements for one campus, but not the other.

*Major Articulation.* The UC system has been working to standardize requirements among its campuses through major articulation, which specifies the requirements for a major and sets the same requirements for all UC campuses offering that major. So far 70 majors within the UC system have gone through such a major articulation process. These 70 majors capture a large number of the UC students because some majors are more popular than others.

*Transfer AA Degree.* The California Community Colleges is working with CSU to establish a transfer Associate in Arts (AA) degree. CCC and CSU are working to determine a standard set of courses that a student could complete to receive an AA in transfer, which would allow the student to transfer to any CSU in Junior status.

**Common Course Numbering.** Each district within the Community College system decides the courses it will offer and the content of those courses. Each course will receive a course number, and those course numbers do not necessarily correspond to other community college districts' course numbering systems. So an introduction to physics course at one campus may be called Physics 10 while at another campus it is called Physics 101. These differences in course numberings make it more difficult for students to discern which courses actually meet the UC and CSU standards.

*C-ID.* The C-ID is a new effort by the community colleges, UC, and CSU to establish standards for courses that meet transfer requirements. The project includes bringing together faculty from all three segments to discuss the requirements for courses within a major, and setting standards for courses with specific course numbers. The faculty of a particular campus can then choose to offer a course meeting the C-ID requirements with the common course number; if the faculty choose not to offer the C-ID course content, the course would simply receive a course number not listed as a transferable course. The C-ID effort is at its infancy, and agreement on the C-ID standards for the first major (Agriculture) is anticipated in fall 2010.

**Staff Comment.** Transfer students cost the state less to educate because approximately half of the course credits they complete are at the less expensive community colleges. Transfer students have proven themselves to be able to succeed once at a four-year institution.

The UC system has pledged to let in 500 more transfer students in 2010-11, even as first-time freshman enrollment is reduced by 1,500. The CSU has not made similar guarantees about enrollment for transfer students, but the CSU's enrollment reduction would be far steeper, approximately 29,000 students, than the UC's if the segments do not receive new funding.

**Staff Recommendation.** No recommendation, informational item.

**Suggested Questions:**

1. Who is successfully transferring?
2. Many transfer students end up with many more course units than is required for their major, partly due to confusion as to which courses are required for transfer. What are the segments doing to reduce the number of course units that transfer students end up completing?
3. How many transfer students full-time vs. part-time students?
4. Two years ago CSU placed course descriptions on the classes admitted for majors, and in so doing rejected nearly half of the community college courses as transfer eligible. How will the C-ID effort impact the CSU admitting community college courses as transfer eligible?
5. The community college courses offered for the majority of AA degrees are not transfer eligible to a CSU. As the CCC and CSU work together to develop the AA degree in transfer, will some of the currently non-eligible courses be reexamined, especially the career technical education courses?

### **Item 3: CCC Basic Skills**

#### **Speakers:**

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

**Issue.** The issue before the Subcommittee is informational on the effectiveness of basic skills instruction in the community college system.

**Basic Skills Background.** Most students who enter California Community Colleges (CCC) lack sufficient reading, writing, and mathematics skills to undertake college-level work. Thus, one of the CCC system's core missions is to provide precollegiate "basic skills" instruction to these students. (Basic skills are typically used interchangeably with terms such as foundational skills and remedial and developmental education.) These skills form the foundation for success in college and the workforce, yet data suggest that most incoming CCC students are not ready for college-level work.

Despite the name, students taking credit basic skills courses do not receive college credit. That is, units for these courses do not count toward an associate's degree, and are not transferable to UC or CSU. However, the units are taken into account for financial aid purposes.

**California Students Struggling to Graduate from High School.** The CPEC found that when averaged over all residents, California is in the bottom ten states for the percentage of 19- to 25-year-olds with a high school diploma. Of the 15 largest states, only Georgia and Texas have a lower percentage of young adults with a high school diploma. Those students who do not graduate from high school can enter a community college, where they will most likely have to take basic skills training. Even those students who do graduate high school may not be ready for college-level work.

**Placement Into Basic Skills.** The CCC has a placement test that is offered to students enrolling in the district for the first time. Under current law, CCC assessment results must be nonbinding. That is, statute prohibits community colleges from requiring students to take any particular class (such as a basic skills writing class) based on their assessment. Instead, "assessment instruments shall be used as an advisory tool to assist students in the selection of an educational program." According to the CCC Academic Senate, this is a problem because over one-third of students assessed as needing basic skills courses choose not to enroll in them.

Also, unlike UC, CSU, and a number of community colleges outside the state, California's community colleges cannot require their students to address their basic skills deficiencies within a certain time period. Instead, these students are free to enroll in any course they choose, provided they meet any prerequisites. However, as the Institute for Higher Education Leadership and Policy and others have noted, CCC regulations make it difficult for districts to establish math and English prerequisites for college-level courses in other disciplines such as history and economics.

**Success in Basic Skills.** Completion rates for under-prepared students, such as those in need of basic skills, are generally low. The problem of students entering the CCC system without basic skills has taken on a greater sense of urgency in light of the system's decision to increase math and English proficiency requirements beginning in fall 2009 for students receiving an associate's degree. Currently, just over nine percent of all credit units taken at community colleges are for basic skills classes.

Success rates for basic skills students are generally low. For example, the LAO's review of CCC data shows that:

- *Many Students Do Not Pass Their Basic Skills Courses:* Of those students who enroll in credit basic skills courses, only about 60 percent successfully complete a basic skills English course, while just 50 percent of students successfully complete a basic skills math course. The course completion rate for ESL is better (about 75 percent). These percentages do not take into account an unknown number of students who initially enroll in a basic skills course but drop out before the third week of classes, when an official student count (census) is taken.
- *About One-Half of Basic Skills Students Do Not Persist in College:* About one-half of students enrolled in credit basic skills math, English, and ESL courses in any given fall term do not return to college the following fall.
- *About One-Half of "Successful" Basic Skills Students Do Not Advance:* According to the Chancellor's Office, of those students that successfully complete a credit basic skills math, English, or ESL course, only about one-half go on to complete a higher-level course in the same discipline within three years.
- *Few Noncredit Students Move on to Credit Courses:* The CCC system frequently states that one of the purposes of noncredit basic skills courses is to serve as a gateway to credit instruction and the attainment of a college degree. Yet, less than 10 percent of noncredit basic skills students eventually advance to and successfully complete one degree-applicable credit course (excluding physical education). It should be noted, however, that an unknown number of noncredit students do not endeavor to achieve such a goal.

**Basic Skills Categorical Item.** The majority of the funding for basic skills instruction is in the base funding for CCC. The categorical funding only provides a supplement to the base funding for planning purposes. In 2006–07, the state launched a "basic skills initiative" that provides CCC with additional funding to address the issues of basic skills student non-persistence. Districts are permitted to use these funds for a number of purposes, such as curriculum development, faculty training, and student tutorial services. As a condition of receiving these funds in 2007-08, colleges agreed to assess the extent to which their individual policies and practices align with evidence-based "best practices".

**2010-11 Budget.** The Governor's proposed budget provides \$20 million for the basic skills categorical item. The Governor also proposes to place the basic skills into categorical flexibility, discussed in Item 4 below. In 2008-09, the Basic Skills Initiative received \$33.1 million.

**LAO Recommendation.** While the LAO recognizes that community colleges can make certain changes on their own (such as using more effective instruction techniques), the LAO concludes that there are several structural and systemwide changes that are needed in order to improve student preparedness and success. Taken together, the LAO believes that these recommendations would help to increase the level of awareness and preparation of high school students interested in attending a community college, as well as assist the colleges to identify, place, and advise basic skills students. These changes include:

- Assessing prospective CCC students while they are still in high school to signal their level of college readiness and giving them an opportunity to address basic skills deficiencies before enrolling in a community college.
- Making available a statewide CCC placement test derived from K-12's math and English standards tests.
- Creating a strong incentive for students to take required assessments, as well as requiring underprepared CCC students to begin addressing their basic skills deficiencies immediately upon enrollment.
- Giving colleges' fiscal flexibility to provide students with the appropriate mix of classroom instruction and counseling services.

**Staff Comment.** The Basic Skills Initiative is important in allowing community colleges to effectively serve a vulnerable student population. Those students taking basic skills classes tend to come from disadvantaged backgrounds where the K-12 system did not provide them with sufficient preparation for completing college-level academic work. In order to help these students succeed not only in college but in their careers after college, the basic skills courses are necessary to provide a foundation in literacy and mathematics. Basic skills courses also provide English as a second language instruction that helps non-native English speakers participate more fully in their communities.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Suggested Questions:**

1. How has the funding cut to the basic skills categorical item in 2009-10 influenced the delivery of basic skills programs?
2. Since the Basic Skills Initiative began in 2006-07, have the community colleges seen any increase in basic skills students completing a certificate program, AA degree, or transferring?
3. How successful are basic skills students compared to non-basic skills students, at completing a certificate program, AA degree, or transferring?
4. Has the ratio of basic skills students (compared to overall student body) grown over the last decade?

## Item 4: CCC Categorical Flex Items

### Speakers:

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

**Issue.** The issue before the Subcommittee is the Governor's proposal to expand categorical flexibility that was a part of the *2009-10 Budget Act*.

**Categorical Flexibility in the 2009-10 Budget Act.** Community colleges received deep cuts in the *2009-10 Budget Act*, which were focused primarily on categorical programs. Year-to-year support for categorical programs declined by 37 percent, from \$705 million in 2008-09 to \$441 million in 2009-10. To alleviate the severity of the categorical program reductions, the Legislature, through trailer bill language, permitted the community colleges to shift funds between the 12 categorical programs that were included in the flexibility item (flex item). There are a total of 21 categorical items.

Programs Included in Flex Item	Programs Excluded From Flex Item
Academic Senate	Basic Skills Initiative <sup>a</sup>
Apprenticeship	CalWORKs Student Services
Campus Child Care Support	Disabled Students Program
Career Technical Education Initiative <sup>b</sup>	Extended Opportunity Programs and Services <sup>a</sup>
Economic and Workforce Development	Financial Aid Administration
Equal Employment Opportunity	Foster Care Education Program
Matriculation	Fund for Student Success <sup>a</sup>
Part-Time Faculty Compensation	Nursing Grants
Part-Time Faculty Health Insurance	Telecommunications and Technology Services
Part-Time Faculty Office Hours	
Physical Plant and Instructional Support	
Transfer Education and Articulation	
<sup>a</sup> Governor proposes to include this program in flex item beginning in 2010-11.	
<sup>b</sup> Governor proposes to remove this program from the flex item in the current and budget years.	
Source: LAO	

**Moving Funds Between Flex Items.** Under categorical flexibility, from 2009-10 to 2012-13, districts are permitted to transfer funds from categorical programs in the flex item to any other categorical spending purpose. (Such decisions must be made by local governing boards at publicly held hearings.) By contrast, funds in categoricals that are excluded from the flex item must continue to be spent on their own specific program in accordance with statutory and regulatory requirements. For example, funds in the Economic and Workforce Development program (within the flex item) may instead be spent on Financial Aid Administration (outside the flex item), though Financial Aid Administration can only be spent for that purpose. As of April 15, 2010, 33 of the 72 community college districts had chosen to utilize the categorical flexibility option.

**Governor’s Budget.** The Governor proposes to remove the Career Technical Education (CTE) program from the “flex item” and replace it with the three programs currently not in flex: the Basic Skills Initiative, Extended Opportunity Programs and Services (EOPS), and the Fund for Student Success. The Governor’s proposed 2010-11 budget contains the following funding for these programs:

- Basic Skills Initiative: \$20 million
- EOPS: \$63.3 million
- Fund for Student Success: \$3.3 million

*Basic Skills Initiative.* Funds in the Basic Skills Initiative (formally known as “Student Success for Basic Skills Students,” which is separate from the Fund for Student Success) are used by districts for activities and services such as curriculum development, professional development workshops, and supplemental counseling and tutoring for CCC students who lack college-level proficiency in English and mathematics. For more background, please see Item 3 above.

*Extended Opportunity Programs and Services.* The EOPS program provides various supplemental services (such as orientation, counseling, tutoring, and financial assistance to purchase textbooks) for low-income—and typically underprepared—students. (The Cooperative Agencies Resources for Education program is a subset of EOPS that serves welfare-dependent single parents who are attending CCC.)

*Fund for Student Success.* The Fund for Student Success consists of three separate programs: Middle College High School (MCHS); Puente; and Mathematics, Engineering and Science Achievement (MESA).

- **Middle College High School:** The 13 existing MCHS programs are located on community college campuses. Students in the program typically take their high school classes together during one half of the school day, and attend community colleges classes during the other half. In addition to working toward a high school diploma, MCHS students have an opportunity to earn an associate’s degree and credits that are transferable to a four-year institution. The \$1.5 million of 2009-10 General Fund support for MCHS is typically used for purposes such as helping high school students buy their college textbooks and paying the partial salary of a CCC counselor to advise students and their parents on courses to take.
- **Puente:** Puente is a partnership among 58 community colleges, the UC, and the private sector. Staff from the UC Office of the President train CCC faculty to implement the program, which consists of intensive reading and writing classes (typically involving Latino literature), mentoring, and counseling services. The program is designed for students from historically underrepresented groups who are interested in transferring to a four-year institution. In 2009-10, the state provides Puente with \$1.6 million in General Fund monies.
- **Mathematics, Engineering, and Science Achievement:** The purpose of MESA is to increase transfer rates of low-income students pursuing degrees in math-based fields (such as engineering, computer science, and physics). Students in the MESA program receive counseling, tutoring, mentoring, and other services at one

of the 30 participating community college campuses. The 2009-10 Budget Act provides \$2.1 million in General Fund support for the program.

**LAO Recommendation.** The LAO recommends that the Legislature approve the Governor's proposal to add the Basic Skills Initiative, EOPS, and Fund for Student Success to the flex item. In addition, the LAO recommends that the Legislature add the Financial Aid Administration program to the flex item. Doing so would give districts greater ability to select for themselves the best strategies for advising and providing outreach to financially needy students (including perhaps combining elements of the program with other categorical programs that provide services to low-income CCC students).

The LAO points out that by placing these programs in the flex item, districts would be permitted to decide for themselves how best to allocate funds to targeted purposes. Districts would be free to modify an existing program model to better suit their students, including combining separate pots of categorical funds (such as Matriculation, the Basic Skills Initiative, and Apprenticeships) to address the problem of underprepared students. This could help districts operate their services more efficiently, such as by consolidating categorical programs' various counseling functions (provided through Matriculation, the Basic Skills Initiative, Puente, MESA, and EOPS, among others). In addition, increasing the number of programs in the flex item could generate savings to districts by eliminating numerous application, accounting, and monitoring requirements.

**Staff Comment.** The categorical flexibility was adopted as part of the *2009-10 Budget Act* for the duration of three years. The program is only in its first year, and has been utilized so far by only 33 of the 72 community college districts. Since the community colleges set their annual budgets in the summer, often before the budget passes, it is difficult for the districts to quickly respond to budget changes. The Legislature may wish to allow the categorical flexibility program to operate as planned for the three-year pilot phase before changing the categorical items that are part of the program.

Services to the most vulnerable student populations within the community college system have historically been important to the Legislature. The Fund for Student Success and EOPS programs target students who come from low-income backgrounds and who may be the first in their families to attend college. These students benefit from the additional counseling and assistance provided to them by the EOPS and Fund for Student Success programs. Students from low-income backgrounds frequently need assistance in navigating the college requirements in order to succeed and attain their goals of higher education.

The Basic Skills Initiative was discussed in Item 3. The Basic Skills Initiative provides the community colleges with the resources to plan courses that allow students who need remedial education to succeed in college. Without basic skills instruction, the students who did not gain the necessary foundational skills in high school would be left to struggle in college courses that they are not adequately prepared to complete.



A portion of the Financial Aid Administration categorical item pays for a portion of the state mandates regarding community college financial aid. If this categorical was placed into the flex item, the community colleges would not necessarily have to allocate the categorical funding to the mandate in the budget year, but the state would still owe that money for the mandate to the community colleges in the future.

**Staff Recommendation.** Staff recommends that the Subcommittee reject moving the additional categorical items into the flex item.

**Suggested Questions:**

1. How has categorical flexibility assisted the community college campuses that chose to move funds between the programs?
2. Less than half of the community college districts used the categorical flexibility. Was this because the 39 districts that did not use the flexibility would not have benefited from it?
3. If the programs currently funded by the Fund for Student Success categorical (MCHS, Puente, and MESA) were ended by districts as a result of categorical flexibility, would similar services exist at the community colleges for under-represented minority students?
4. The districts that chose to utilize categorical flexibility also chose to move funds into EOPS (the flex items allow funds to be moved into non-flex items, but not out). Since districts seem to think that EOPS should receive more money and they can accomplish that under the current flex item structure, why should EOPS be included in the flex item?
5. If the Basic Skills Initiative was included in the flex item, would the program benefit as many students as currently are served by it?
6. What performance measures does CCC use to assess the effectiveness of the various categorical programs?

## Item 5: Career Technical Education

### Speakers:

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Patrick Lenz, University of California
- Ed Hanson, Department of Finance

**Issue.** The issue before the Subcommittee is the Governor's proposal to remove Career Technical Education (CTE) from the categorical flexibility and to provide \$68 million for CTE, an increase of \$20 million from 2009-10.

**Career Technical Education Background.** SB 70 (Scott, 2005) created the CTE Pathways Initiative. SB 70 established a program to "improve linkages and career technical education pathways" between K-12 and community colleges. These "pathways" are designed to help K-12 students develop vocational skills sought by employers in the area, while also preparing students for more-advanced academic or vocational coursework at a community college or university.

The CCC Chancellor's Office and California Department of Education (CDE) administer the initiative and allocate funds through a competitive grant process. Local projects are jointly developed by community colleges and K-12 entities (high schools and Regional Occupation Centers/Programs). Most local projects are also required to involve local businesses. Grants typically provide short-term improvement funding to develop or strengthen CTE programs rather than ongoing operational support. Currently, the initiative consists of 19 separate grant categories.

**Funding History.** As the chart below illustrates, the CTE Pathways Initiative program was funded only with Proposition 98 funds during the first two years of operation (2005-06 and 2006-07). Chapter 751, Statutes of 2006 (SB 1133, Torlakson), included additional annual funding for the initiative as part of the Quality Education Investment Act (QEIA). The QEIA payments are suspended in the current year. Instead, the program is funded by \$48 million in Proposition 98 funds in the current year.

### CTE Pathways Initiative (SB 70)

*(dollars in thousands)*

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Proposition 98	\$ 20,000	\$ 60,000	\$ 10,000	\$ 20,000	\$ 48,000	\$ 20,000
QEIA	\$ -	\$ -	\$ 32,000	\$ 38,000	\$ -	\$ 48,000
<b>Total</b>	<b>\$ 20,000</b>	<b>\$ 60,000</b>	<b>\$ 42,000</b>	<b>\$ 58,000</b>	<b>\$ 48,000</b>	<b>\$ 68,000</b>

**Governor's Budget.** The Governor's proposal would remove CTE from the categorical flexibility item, as well as increase CTE's funding to \$68 million (\$48 million from QEIA and \$20 million GF). The Governor would pay for this augmentation by reducing base support by \$10 million each from the part-time faculty compensation program

(currently in the flex item) and EOPS (proposed to be in the flex item); both of these programs experienced roughly 40 percent reductions in 2009-10.

**LAO Recommendation.** In order to give districts more discretion in how they use their limited resources, the LAO recommends that the Legislature reject the Governor's proposal to provide \$20 million in additional Proposition 98 support for the program, and instead fund the program entirely with \$48 million in non-Proposition 98 QEIA funds.

**Staff Comment.** The CTE Pathways Initiative is a program that holds a lot of promise program to provide career technical education to both community college and high school students. However, the actual success of the program in getting students to take courses in high school and then move on to the community college for an AA degree or certificate in a CTE field is not known. At this point, it may be beneficial to acquire additional information on the CTE Pathways Initiative effectiveness. In 2008, there were 84 local assistance grants provided in the CTE Pathways Initiative program.

The CTE Pathways Initiative works with community colleges and high schools to establish courses that provide career technical education to students. There have been some difficulties in getting the high school level CTE courses approved as prerequisite courses to the UC and CSU, thus placing high school students who take CTE courses at a disadvantage to starting as freshmen at a California four-year public university. There may be opportunities to expand high school CTE courses that meet the UC's A-G course requirements.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Suggested Questions:**

1. What number of community college students take CTE courses?
2. How many community college students complete a CTE AA degree vs. transfer to a four-year institution?
3. What performance metrics are used to evaluate the success of the CTE Pathways Initiative?
4. What efforts is the UC engaged in to get more CTE courses A-G certification?  
How many staff does UCOP have for examining CTE courses for A-G certification?

## Item 6: CCC 75/25 Faculty Ratio

### Speakers:

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

**Issue.** The issue before the Subcommittee is Governor's trailer bill language that would suspend the 75/25 faculty ratio requirement until 2012-13.

**75/25 Requirement.** Instruction at the community colleges is provided by a combination of full-time (permanent) and part-time (adjunct) faculty. State statute expresses legislative intent that 75 percent of credit instructional hours be taught by full-time faculty, with no more than 25 percent taught by part-time faculty. Implementing regulations developed by BOG (which oversees the statewide system) generally require districts move closer to the 75 percent target by hiring more full-time faculty in years in which they receive additional enrollment funding. While the 75/25 statutory ratio is merely a guideline for districts, the CCC regulation (commonly known as the full-time Faculty Obligation Number, or "FON") imposes financial penalties on districts that fail to meet their employment target for full-time faculty members.

**Governor's Trailer Bill.** The Governor proposes trailer bill language to suspend the 75/25 statute (and with it, the FON regulation) until 2012-13 in order to provide added flexibility to districts. There are no savings calculated from this proposal.

**LAO Recommendation.** The LAO notes that there is no sound analytical basis for the specific full-time faculty ratio currently in statute. The LAO thinks there are several benefits to colleges employing full-time faculty. For example, full-time faculty members are more likely to provide direction and leadership for program planning and curriculum development. However, it is widely acknowledged that part-time faculty can provide many benefits, as well. For example, they can bring unique and practical experience to the classroom. The use of part-time faculty can also allow colleges to respond quickly to changing student demands and labor-market needs. The LAO points out that while the state has an interest in ensuring that districts employ faculty to maximize educational outcomes, the LAO has not seen any evidence that prescribing a specific ratio or number for full- and part-time faculty will do this.

The LAO points out that if the community colleges received additional enrollment growth funds (as proposed by the Governor) and the FON requirement continued to remain in effect, districts could be required to hire new full-time faculty regardless of their own local spending preferences or priorities. For instance, certain districts might prefer to delay making a commitment to employ additional permanent faculty (and instead hire part-time faculty) given the uncertainty of the state's—and, by extension, CCC's—current fiscal condition. Other districts may prefer to first hire back valued noninstructional staff that were recently let go, such as counselors and tutors. In order to increase districts' ability to make their own resource-allocation decisions, the LAO thus recommends the Legislature adopt the Governor's proposal.

**Staff Comment.** The division of faculty on a community college campus is a complicated matter, because part-time faculty are less expensive and thus can teach more courses, but the full-time faculty design the courses and provide continuity to the department and disciplines on the community college campuses.

The contract agreements for many of the permanent faculty guarantee that permanent faculty cannot be laid off for budget reasons before the temporary faculty have been laid off. Thus, allowing community college campuses to use a faculty ratio other than 75/25 may not produce savings for the campuses. Adopting the Governor's trailer bill language may, however, allow the community colleges to avoid future costs if they receive enrollment growth funding in 2010-11 that is lost in a future fiscal year for some reason.

**Staff Recommendation.** Staff recommends the Subcommittee hold open this item.

**Suggested Questions:**

1. When the 75/25 statute was originally adopted, how many districts had more than 75 percent of their faculty as permanent? How many had fewer than 75 percent?
2. If the community colleges receive new funds in 2010-11, do the districts have to hire faculty or can they use those funds for other student services?
3. How much less expensive is a temporary faculty member than a permanent faculty member?
4. How many temporary faculty were laid off so far during 2009-10 due to budget cuts?

## **Item 7: CCC Contracting Out Proposal**

### **Speakers:**

- Paul Steenhausen, Legislative Analyst's Office
- Erik Skinner, California Community Colleges
- Ed Hanson, Department of Finance

**Issue.** The issue before the Subcommittee is the Governor's proposed trailer bill language that would allow community college districts to contract out for personal services.

**Current Law.** Under current law (SB 1419, Chapter 894, Statutes of 2002), community colleges can contract out for many non-instructional services, such as food service, maintenance, clerical functions, and payroll, only if certain conditions are met. For example, a district can contract out for services to achieve cost savings, however, there must be a clear demonstration that the contract will result in actual overall cost savings to the district.

Current law specifically prohibits the approval of contracts solely on the basis that savings will result from lower contractor pay rates or benefits, and requires that contractor's wages be at the industry's level and not undercut district pay rates. Current law also does not allow for the displacement of district employees (defined as layoff, demotion, involuntary transfer to a new classification, involuntary transfer to a new location requiring a change of residence, and time base reductions).

**Governor's Trailer Bill.** The Governor's proposal amends existing law governing contracting out for personal services to remove provisions that currently: (1) disallow approval of contracts solely on the basis of cost savings; and, (2) disallow contracts if it causes displacement of school employees who previously provided the services. This new authority would become effective for personal services contracts entered into after January 1, 2011.

**LAO Recommendation.** The LAO supports the Governor's proposal to increase community college districts' fiscal and program flexibility. The LAO recommends adopting the administration's language to allow additional contracting out.

**Staff Comment.** There are no state savings associated with this proposal. The trailer bill language would enact permanent changes to community college personal services contracting law.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this trailer bill language.

### **Suggested Questions:**

1. If current law already allows for contracting out when there is cost benefit, why is an exemption needed?

## Item 8: UC Administration

### Speakers:

- Patrick Lenz, University of California
- Steve Boilard, Legislative Analyst's Office
- Mollie Quasebarth, Department of Finance

**Issue.** The issue before the Subcommittee is the University of California administration growth, and how administrative spending has been altered in response to the reduced state General Fund support.

**Accusations of Administrative Bloat.** The University of California has been accused repeatedly over the last year of providing administrators with high salaries while cutting services to students and denying raises to service employees. For example, on February 28, 2010, the Sacramento Bee published an editorial stating that UC senior administrative positions grew by 97 percent over ten years, while faculty positions grew by only 23 percent during the same period (student enrollment grew by 36 percent during those ten years). This growth in senior administrators means that the UC now has nearly as many senior administrators as faculty.

**UC Budget Changes.** The University of California General Fund budget was reduced from \$3.25 billion in 2007-08 to \$2.59 billion in 2009-10. In response to the loss of state General Fund revenue, the UC Regents raised student fees dramatically.

**UCOP Budget.** The 2009-10 budget for the University of California Office of the President (UCOP), approved by the Regents in May 2009, is \$293.3 million. This includes direct expenses from all funds for both the departments and units reporting to the President as well as the Regents' direct reports. In 2007-08 the UCOP budget was an estimated \$355.5 million. The UCOP does not receive General Fund support.

**UCOP Reductions.** The 2009-10 budget represents a \$62.2 million (17.5 percent) total expenditure reduction (unrestricted and restricted funds) since the beginning of the Office of the President expenditure control and restructuring process began in 2007-08. The 2009-10 budget also reflects a reduction of 630.83 in overall full-time equivalent (FTE) employees (with 1,439 employees remaining), or about 30 percent, since 2007-08.

UCOP expects to maintain a vacancy rate throughout the year of at least ten percent, resulting in an in-year savings of at least \$9 million in personnel expenditures on unrestricted funds.

**Staff Ratios.** Non-academic staff at the UC include a wide range of personnel employed in UC hospitals, auxiliary enterprises (such as housing and dining halls), and central campus functions ranging from academic department administrators to fiscal operations. The UC's ratio of academic to non-academic staff is about 1:3. The proportion of non-academic staff was 73 percent in 1997-98 and 74 percent in 2008-09.

Institutional support, which includes executive management, fiscal operations, general administration, logistical services, and community relations, has declined as a percentage of UC's total expenditures over the last 20 years, falling from about 12 percent of expenditures in 1986-87 to about nine percent in 2008-09.

The UC system has over 180,000 employees. While increases in student enrollment have played a significant role in employment growth across the University, increases in employee FTE have been driven primarily by expansion in Teaching Hospitals (52 percent of growth), Research (eight percent of growth) and Auxiliary Enterprises (ten percent of growth).

**Task Force.** In December 2005, the UC Board of Regents appointed a Task Force on Compensation, Accountability and Transparency. In 2006, the Task Force found disclosures of inappropriate compensation-related activities and practices, including the failure to comply with compensation policies, the failure to disclose compensation in a clear and public manner, and the failure to report certain compensation information to the Regents as required. Steps were taken by UCOP to address these concerns, including the establishment of a Chief Compliance Officer to provide verification of the compensation process.

In August 2009 the Task Force reconvened to examine the progress of the UC in creating accountability and transparency in compensation practices. The Task Force issued a report in October 2009 that found that the majority of the concerns raised in 2006 had been addressed. The Task Force did make new recommendations, including:

1. The compensation system should be simplified, wherever possible, without sacrificing rigorous review, approval, and reporting mechanisms.
2. The Regents should consider delegating responsibility for approval of the total compensation of deans to the chancellor of the respective campus.
3. The Regents must ensure that the effectiveness of UC's compensation program is measured not solely by the level of transparency but by its ability to attract and retain the personnel necessary to lead the institution forward.

**Staff Comment.** As the University of California budget shrinks, and student services are reduced, it is imperative to ask if the university system is as efficient as it could be in its administration. If administrative reductions and efficiencies can be achieved, they should be taken before cuts to courses or student services such as libraries. As General Fund support for the UC is lowered, and student fee revenues must pay for the activities and positions previously financed with General Fund, there should be a close examination of whether or not all of those positions are necessary.

**Staff Recommendation.** No recommendation, informational item.

**Suggested Questions:**

1. Since 1997-98, by how much has middle-management grown at UC?
2. Since the budget cuts to the UC system began in February 2009, how many senior management personnel have received pay raises?



3. How many bargaining units have received raises since 2008-09? How much did these raises cost the UC system?
4. Has student fee revenue been used to provide raises to executive management since 2008-09?
5. The Taskforce on UC Compensation, Accountability, and Transparency released a report in October 2009 outlining recommendations for the UC to improve its compensation process. What progress has the UC made so far toward meeting the Taskforce's recommendations?

## Item 9: Lease-Revenue Bond Funded Capital Outlay Projects

### Speakers:

- Mark Whitaker, Legislative Analyst's Office
- Patrick Lenz, University of California
- Robert Turnage, California State University
- Stan Hiuga, Department of Finance

**Issue.** The issue before the Subcommittee is the University of California and California State University capital outlay projects for which lease-revenue bond funds are proposed.

**Governor's Budget.** The Governor proposes 12 lease-revenue funded capital outlay projects for UC and CSU. Some of the Governor's proposed projects would be initiated with general obligation bonds in 2010-11, but would require lease-revenue bonds to finish in later years. Of these lease-revenue bond funded projects proposed, \$346 million would be appropriated to the UC and \$85 million to the CSU (includes projects that would use lease-revenue for construction). The Governor's proposal relies heavily on lease-revenue bonds for funding projects at UC and CSU because, without the passage of a new general obligation bond measure, existing General Obligation (GO) bond dollars are essentially exhausted. The following chart shows the proposed projects:

#	Project Name	Description	Amount (000)	Source
1	CSU Stanislaus - Science I Renovation (Seismic)	Seismically retrofit Science Building. Increase lecture and office space, reduce laboratory space.	\$ 18,784	Lease-Revenue
2	CSU San Diego - Storm/Nasatir Halls Renovation	Renovate two adjoining buildings, Storm Hall and Nasatir Hall for seismic retrofits, mechanical and electrical systems, ADA accessibility, and an addition of a utility and elevator core.	\$ 57,169	Lease-Revenue
3	CSU Chico - Taylor II Replacement Building	Demolish a 42-year old existing building and replace it with a new 67,000 square foot building to accommodate the College of Humanities and Fine Arts. The future construction cost of the project will be \$58 million in lease-revenue bond funds.	\$ 2,873	1996 Bond Funds
4	CSU Channel Islands - West Hall	Renovate a portion of West Hall and add 28,800 square feet of new space for lecture, laboratory, and faculty offices. The future construction cost of the project will be \$38.4 million in lease-revenue bond funds.	\$ 2,430	1996 Bond Funds

#	Project Name	Description	Amount (000)	Source
5	CSU Fresno - Faculty Office/Lab Building	Construct a new 13,400 square foot facility to house research offices for the masters program in Nursing, two classroom laboratories, and faculty offices. The future construction cost of the project will be \$9.5 million in lease-revenue bonds.	\$ 562	1996 Bond Funds
6	CSU San Jose - Spartan Complex Seismic Renovation	Seismic, ADA, and life-safety renovation and building systems replacement of Uchida Hall/Natatorium; Uchida Hall Annex; Spartan Complex East; and Spartan Complex Central. The future construction cost of the project will be \$54 million in lease-revenue bonds.	\$ 3,240	1996 Bond Funds
7	UC Irvine - Business Unit 2	Preliminary Plans and Working Drawings for a new 47,840 square foot building to supplement the Paul Merage School of Business. The future construction cost of the project will be \$44.3 million, mostly from lease-revenue bonds.	\$ 2,604	1996 Bond Funds and Special Funds
8	UC Los Angeles - CHS South Tower Seismic Renovation	Working Drawings and Construction for a project that includes demolition and hazardous materials abatement, seismic retrofit and building shell upgrades, and building infrastructure improvements, including mechanical, electrical, plumbing, and fire and life safety.	\$ 128,953	Lease-Revenue
9	UC Merced - Science and Engineering Building 2	Working Drawings and Construction for a new building to support instruction and research activities for the Schools of Engineering and Natural Sciences.	\$ 81,040	Lease-Revenue
10	UC Santa Barbara - Davidson Library Addition and Renewal	Working Drawings and Construction for new library facilities and renovation and seismic upgrade of existing library facilities.	\$ 67,698	Lease-Revenue
11	UC San Diego - SIO Research Support Facilities	Preliminary Plans and Working Drawings for 21,300 square foot replacement space for the Scripps Institution of Oceanography. The future construction cost of the project would be \$5.5 million from lease-revenue bonds.	\$ 613	1996 Bond Funds

#	Project Name	Description	Amount (000)	Source
12	UC Berkeley - Campbell Hall Seismic Replacement Building	Construction of a new physical science building, which will include laboratory facilities, space for the Department of Astronomy, and integrate with two nearby buildings.	\$ 65,205	Lease-Revenue

**Staff Comment.** The Governor is proposing to use lease-revenue projects because the 2006 general obligation bond for higher education are already almost fully allocated. Thus there are very few options for state support of capital outlay projects outside of lease-revenue bonds.

Staff notes that lease-revenue bonds were approximately ten percent more expensive in 2007 than general obligation bonds. However, the current interest rates are lower than they were in 2007. Yet it must be noted that the usual process for bond sales is currently altered due to the state's fiscal condition; the Pooled Money Investment Board (PMIB) is no longer providing interim financing until bonds can be sold. Therefore, the state must now sell the lease-revenue bonds before construction begins and capitalize the interest during construction, which makes lease-revenue bonds more expensive (thus potentially undoing the benefits of a lower interest rate).

In addition to these concerns, staff notes that the UC and CSU are already carrying a significant amount of bond debt. In 2009-10, the total general obligation bond payment is estimated at \$505 million General Fund. By approving more lease-revenue bond debt, the Legislature would be adding to this debt burden.

However, it is important to note that the UC and CSU estimate that these capital outlay projects, were they to move forward, would generate approximately 5,650 jobs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the capital outlay projects listed in the above chart without prejudice.

## Vote-Only Items

### Item 10: UC & CSU Capital Outlay Projects – Other Funding Sources

**April Finance Letter.** The Governor submitted an April Finance Letter for the following four capital outlay projects from either special funds or left-over 2006 bond funds. The projects total \$10.5 million, of which \$6 million is from 2006 bond funds and \$4.5 million is from special funds.

#	Project Name	Description	Amount (000)	Source
1	CSU Northridge - Performing Arts Center	Supplemental appropriation for construction of a performing arts center. The additional cost is due to the halting of bond funded projects in 2009.	\$ 1,383	2006 Bond Fund
2	UC Merced - Site Development and Infrastructure Phase 4	Preliminary Plans, Working Drawings, Construction, and Equipment for a project involving erosion control and storm water management, perimeter and interior road improvements, and improvements to the existing corporation yard; improve functionality of the existing central plant and telecommunications building; install utilities to support future buildings; and provide renovation of existing classrooms. No future costs for this project.	\$ 4,500	1996 Bond Funds
3	UC Merced - Site Development and Infrastructure Phase 6	Preliminary Plans, Working Drawings, and Construction for a project that includes: construction of a perimeter road, boundary fencing, storm water management, construction of a kit fox bridge, and salvage of impacted wetland soils. No future costs for this project.	\$ 2,000	2006 Bond Funds
4	UC Irvine - Arts Building	Equipment for the new School of the Arts building. No future costs for this project.	\$ 2,668	2006 Bond Funds

**Staff Recommendation.** Staff recommends that the Subcommittee approve the four capital outlay projects in the above chart.

**VOTE:**

## **Item 11: Garamendi Financing Authorization for UC San Diego Clinical and Transitional Research Institute**

**April Finance Letter.** The Governor submitted an April Finance Letter requesting authority for the UC, pursuant to Government Code Section 15820.21, to establish a funding mechanism known as “Garamendi Financing,” to allow increased federal indirect costs generated from research conducted in a proposed new research building on the UC San Diego campus to pay debt service and maintenance costs for the proposed new building. The ability to finance research facilities under this program will allow facilities to “pay for themselves” by permitting the campus to use the gross indirect cost recovery attributable to the new facility to pay for debt service and maintenance.

The proposed new Clinical and Translational Research Institute would support a range of health science departments including the schools of Medicine, Neuroscience, Pathology, and Pharmacology. Since 1990-91, 22 capital projects totaling approximately \$717.0 million were financed using Garamendi Financing.

Therefore, it is requested that Item 6440-402 be added:

- (a) The San Diego Campus—Clinical and Translational Research Institute is authorized pursuant to Section 15820.21 of the Government Code.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal.

**VOTE:**

## Item 12: CCC Capital Outlay Projects

**The Governor's Budget.** The Governor's budget proposes \$3.8 million in new funds from 2006 bond funds for California Community College capital outlay projects. The rest of the projects are paid for with reversions. The reversions pay for most of the new projects, which have become higher priorities due to health and safety concerns. The projects being terminated also required local matching funds which are no longer available.

Project Name	Description	Amount (000)
El Camino College Compton Center	Phase 2: Upgrade campus infrastructure, including water, sewer, and electrical systems.	\$ 16,208
El Camino College Compton Center	Renovate Allied Health Building	\$ 8,946
Imperial Valley College	Modernize 44-year old building that is not ADA compliant	\$ 2,195
Monterey Peninsula College	Modernize Humanities, Business, and Student Services Building	\$ 4,485
Ventura County Community College District	Reversion - Reconstruct Art Studio Project	\$ (180)
Ventura County Community College District	Reversion - Modernize APP, S, and DP Buildings	\$ (5,294)
Santa Barbara College District	Reversion - High Technology Center Project	\$ (22,522)
<b>TOTAL PROJECT COST</b>		<b>\$ 3,838</b>

**Staff Recommendation:** Staff recommends that the Subcommittee approve the CCC capital outlay projects listed in the above chart.

### VOTE:

Please note: Any community college capital outlay projects received as a May Finance Letter will be heard after May Revise.

### **Item 13: UC and CSU Capital Outlay Reappropriations, Extensions of Liquidation, and Reversion**

**April Finance Letter.** The Governor submitted an April Finance Letter that proposes a series of reappropriations, extensions of liquidation, and a reversion of funds for UC and CSU.

**Reappropriations:** It is requested that \$4,955,000 from the 1988 Higher Education Capital Outlay Bond Fund and \$13,673,789 from the 2004 Higher Education Capital Outlay Bond Fund be reappropriated until June 20, 2011, with the following budget bill language:

6610-490—Reappropriation, California State University. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in that appropriation and shall be available for encumbrance until June 30, 2011.

0785—1988 Higher Education Capital Outlay Bond Fund  
(1) Item 6610-002-0785, Budget Act of 2008 (Chs. 268 and 269, Stats. 2008) as reappropriated by Item 6610-490, Budget Act of 2009 (Ch. 1, Stats. 2009, Fourth Extraordinary Session).

6041—2004 Higher Education Capital Outlay Bond Fund  
(2) Item 6610-002-6041, Budget Act of 2008 (Chs. 268 and 269, Stats. 2008) as reappropriated by Item 6610-490 Budget Act of 2009 (Ch. 1, Stats. 2009, Fourth Extraordinary Session).

**Extension of Liquidation:** It is requested that the liquidation period for various capital renewal projects funded in the 2007 Budget Act from the 2006 University Capital Outlay Bond Fund be extended by one additional year, until June 30, 2011. The CSU has experienced delays attributable to the processing of reappropriations by the State Controller's Office and delays stemming from the state's inability to obtain financing to restart suspended projects during the past year. The request includes the following budget bill language:

6610-494—Reappropriation, California State University. Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2011.

6048—2006 University Capital Outlay Bond Fund  
(1) Item 6610-002-6048, Budget Act of 2007 (Chs. 171 and 172, Stats. 2007).

**Reversion:** Reversion for UC Irvine, Steinhaus Hall Seismic Improvements Project (Issue 001) - The Steinhaus Hall Seismic Improvements project at the Irvine Campus is now complete and approximately \$2,668,000 in bid and project savings can be reverted



to the 2006 University Capital Outlay Bond Fund (Fund 6048). UC is proposing to appropriate the project savings in an equivalent amount for equipment to support the Arts Building, currently under construction on the Irvine Campus.

Item 6440-496—Reversion, University of California. As of June 30, 2010, the unencumbered balance of the appropriation provided for in the following citation shall revert to the fund from which the appropriation was made:

6048—2006 University Capital Outlay Bond Fund

1. Item 6440-302-6048, Budget Act of 2007 (Chs. 171 and 172, Stats. 2007)

Irvine Campus:

99.09.375-Steinhaus Hall Seismic Improvements--Construction

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations, extensions of liquidation, and the reversion.

**VOTE:**

## **Item 14: CCC Capital Outlay Reappropriations and Reversion**

**April Finance Letter.** The Governor submitted an April Finance Letter that proposes a series of reappropriations and a reversion of funds for CCC. Amendment to and addition of budget bill items 6870-490 and 6870-497, capital outlay, California Community Colleges:

**Various Reappropriations.** In December 2008, as a result of the state's deteriorating cash position in the Pooled Money Investment Account (PMIA), the Administration issued Budget Letter 08-33, directing departments to suspend any projects that required cash disbursements from PMIA loans. In order to comply with this, all state departments, including the California Community Colleges (CCC), suspended project activities on bond funded projects. Since that time, there have been several bond sales to provide some of the cash needed for projects. However, it is necessary to reappropriate the unspent balances of the requested funds to allow the CCC to fulfill its obligation for the bond funded projects as they are able to restart. Consequently, the following reappropriations are requested:

Add Item 6870-490 to reappropriate funds for the following 17 project phases appropriated from the 2006, 2007, 2008, and 2009 Budget Acts.

1. Cabrillo Community College District, Cabrillo College: Health Wellness Center—Equipment
2. Barstow Community College District, Barstow College: Performing Arts Center—Construction and equipment
3. Chabot-Las Positas Community College District, Chabot College: Math Science Modernization—Working drawings
4. El Camino Community College District, El Camino College Compton Center: Infrastructure Replacement Phase 1—Construction
5. Feather River Community College District, Feather River College: Learning Resource Center Technology Building—Equipment
6. Glendale Community College District, Glendale College: Laboratory College Services Building—Working drawings
7. Los Angeles Community College District, East Los Angeles College, Multi-Media Classrooms—Equipment
8. Mira Costa Community College District, Mira Costa College, Campuswide Fire Line Replacement—Construction
9. Ohlone Community College District, Ohlone College, Fire Suppression—Working drawings and construction
10. Riverside Community College District, Riverside City College: Wheelock Gymnasium Seismic Retrofit—Construction
11. Riverside Community College District, Moreno Valley Center: Phase III Student Academic Services Building—Working drawings
12. San Francisco Community College District, City College of San Francisco: Joint Use Instructional Facility—Equipment
13. Santa Clarita Community College District, College of the Canyons, Administration Student Services—Working drawings

14. Siskiyou Community College District, College of the Siskiyou, Science Complex Modernization—Construction
15. South Orange County Community College District, Irvine Valley College: Life Science Building—Construction and equipment
16. South Orange County Community College District, Saddleback College: Learning Resource Center Renovation—Equipment
17. Mt. San Jacinto Community College District, Meniffee Valley Center: General Classroom Building—Construction and equipment

**Reversion.** Traffic studies completed in March 2009 concluded that vehicle and pedestrian traffic patterns at the intersection of El Don Drive and Rocklin Road have significant safety hazards. Placement of the child development center at its planned location would exacerbate these safety issues. In addition, the new Center would require the hiring of additional personnel at a time when the district is determining how to implement severe budget reductions that would likely include layoffs. The district board, therefore, made a difficult decision to postpone further development of the child development facility until it has addressed the safety issues at the planned site or identified a more appropriate site for the facility and the means to operate it effectively.

Amend Item 6870-497 to revert \$7,821,000 in 2006 California Community College Capital Outlay Bond Fund for the Sierra Joint Community College District, Sierra College: Child Developmental Center—Construction and equipment from the 2008 Budget Act.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations and the reversion.

**VOTE:**